

# Descartes Alternative Credit UCITS Fund

## Long Only Total Return Structured Credit

November 2019

### Performance Returns

The Descartes Alternative Credit UCITS Fund returned 0.32% for the month of November (EUR Inst. Founder Class).

### Investment Objective & Strategy

The Descartes Alternative Credit UCITS is a long-only Fund with a total return strategy, offering access to European senior secured corporate loans through investments in Collateralised Loan Obligations ("CLOs").

The strategy seeks to generate high current income (currently 5%-6%) plus the potential for incremental return through capital appreciation. The Fund primarily invests in European rated CLO securities. CLOs are floating rate instruments, which will benefit from rising rates, with a large carry and strong capital resilience.

The Fund's diversified portfolio is actively managed by Cartesia, using a combination of fundamental security analysis and dynamic allocation across rating categories.

Cartesia is a Paris based regulated investment manager, set up in 2009 by seasoned partners with an average experience of 25 years in European structured credit products, especially in securitised assets such as CLOs.

### Monthly Commentary

In November, the CLO mezzanine market has seen a stabilisation point following continued selling over the previous 2 months from US funds. Indeed, whether through BWICs or in the slower primary market, net buyers are back on BBB, BB and B tranches at respective levels above 400bp, 710bp and 1050bp though with a lot of cherry picking from investors willing to pay up for the right name.

We took the opportunity of this stabilisation phase to dispose one B tranche exposure being St Paul 10 with a decent return since purchase date. This has increased our cash position standing now at 15% around providing a strong munition base for seasonal opportunities presented in December by dealers offloading their books as well as to be well prepared for a busy Q1 next year.

The positive monthly performance was the result of positive carry and convexity as more than 50% of the portfolio prices trade below 95%. With our current portfolio composition, we are well positioned to pick up some nice return in this market turn around.

With the presence of weak loans in some pools, our focus for the Fund remains on high deal selectivity, stay invested in top credit quality tranches with strong overcollateralization levels and supported by clean CLO loan portfolios; Assuming sentiment on corporate credit improves next year, we think high beta CLO BB tranches offer an excellent upside from current levels. Furthermore, we are benefiting from a current spread between the CLO tranches and the High Yield Corporate bonds with a similar rating at its widest level since 4 years together with the advantage for CLO tranches to be immune from Interest Rate risk.

As pointed out by BAML major credit themes for 2020, "on the back of positive tailwinds in the broader economy, rates and loan market, we are going overweight on CLOs broadly as an asset class."

In the same vein, Moody's 2020 constructive outlook predicts "European CLO will continue to perform well next year with structures able to mitigate against a likely rise in collateral defaults. CLO primary volume will decline as leveraged lending issuance softens amid limited refinancing needs and asset shortage will then reduce number of new CLO managers entering the market. Euribor floors will also help drive demand for CLOs as long as interest rates are low."

On the primary volume estimated for next year, most Investment Banks anticipate a reduced amount raised averaging €25bn vs over €30bn expected in 2019.

Lastly, as reflected in October and since inception, the Total Return of the Fund continued to outperform demonstrably the Itraxx X-Over cash TR in November and with a much lower weekly volatility.

### Descartes Alternative Credit UCITS Fund Performance

#### Institutional Founder Class

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
EUR			-0.02%	0.58%	0.94%	0.67%	0.72%	0.58%	-0.55%	-0.38%	0.32%		<b>2.89%</b>
USD			0.06%	0.76%	1.28%	0.94%	0.90%	0.81%	-0.35%	-0.12%	0.44%		<b>4.79%</b>
CHF			-0.10%	0.40%	0.89%	0.63%	0.67%	0.53%	-0.60%	-0.41%	0.30%		<b>2.32%</b>

The performance figures quoted above represent the performance of the Descartes Alternative Credit UCITS Fund, EUR, USD and CHF Inst. Founder Share Classes since launch on the 26-Mar-2019. These performance figures refer to the past and past performance is not a reliable guide to future performance.

#### Institutional Class A

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
EUR					0.16%	0.59%	0.64%	0.53%	-0.46%	-0.39%	0.32%		<b>1.38%</b>
USD					0.15%	0.87%	0.76%	0.76%	-0.32%	-0.13%	0.43%		<b>1.77%</b>
CHF					0.23%	0.50%	0.23%	0.50%	-0.57%	-0.41%	0.33%		<b>0.08%</b>

The performance figures quoted above represent the performance of the Descartes Alternative Credit UCITS Fund, EUR, USD and CHF Inst. A Pooled Share Classes since respective class creation date. These performance figures refer to the past and past performance is not a reliable guide to future performance.

### The Manager



#### Jérôme Anglade

Partner, Portfolio Manager

Jérôme has more than 20 years of experience in structuring, trading and risk-management with Morgan Stanley in London as a Managing Director and Head of the European Structured Credit Group, Citi Capital Advisors then at Bank of America-Merrill Lynch. He then developed a significant expertise in the private debt and peer-to-peer lending, before joining Cartesia in 2016. Jérôme graduated from École Polytechnique and École Nationale des Ponts et Chaussées in Paris.

#### Tanguy Boulet

Chairman, Portfolio Manager

With 30 years of experience in Finance, Tanguy had initially spent 17 years in Investment Banking (Credit Agricole, Merrill Lynch, Lehman Brothers) prior to set up in London in 2003 the investment manager Ocean Capital, specialised in the securitisation markets and structured finance. He then created Cartesia in 2009 in Paris. Tanguy holds a diploma from ESCP Europe.

#### Pierre Mirat

Partner, Head of Business Development and Investor Relations

Pierre has spent 30 years in the Capital Markets in London, with a strong focus on the credit markets, working for Paribas Capital Markets, JP Morgan, Morgan Stanley – as Head of the French office for Global Markets - then for Société Générale-CIB as European Head of the Financial Institutions Group. He joined Cartesia in January 2017. Pierre graduated from HEC Paris and the Political Sciences Institute in Paris.

#### Alexandra Esteves

Chief Risk Officer

Alexandra brings 6 years experience in risk management and structured transactions monitoring/reporting, acquired while at Zencap Asset Management, with a significant expertise in structured credit assets (CLO & ABS), private debt and peer-to-peer lending. She joined Cartesia in the summer of 2019. Alexandra holds a Master Degree in Financial Engineering from IAE Gustave Eiffel.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Valuation	Daily
Liquidity	Weekly
Fund AUM	\$97.9m
Inception	26 <sup>th</sup> March 2019
Share Class	Institutional Founder Class
Currency	EUR/USD/CHF/GBP
Bloomberg ID (EUR)	MLDAE1F ID Equity
Mgt. Fee	0.65%
Perf. Fee	0.00%
Min Init. Sub.	1,000,000
	EUR: IE00BJCWST11
	USD: IE00BJCWSX56
ISIN Codes	CHF: IE00BJCWSW40
	GBP: IE00BJCWSV33
Bloomberg Codes	EUR: MLDAE1F ID
	USD: MLDAUIF ID
	CHF: MLDAC1F ID
	GBP: MLDAG1F ID

Share Class	Institutional Class A
Currency	EUR/USD/CHF/GBP
Bloomberg ID (EUR)	MLDEIAP ID Equity
Mgt. Fee	0.75%
Perf. Fee	10.00%
Min Init. Sub.	1,000,000
	EUR: IE00BJCWT213
	USD: IE00BJCWT544
ISIN Codes	CHF: IE00BJCWT437
	GBP: IE00BJCWT320
Bloomberg Codes	EUR: MLDEIAP ID
	USD: MLDEIAP ID
	CHF: MLDCIAP ID
	GBP: MLDGIAP ID

# Descartes Alternative Credit UCITS Fund

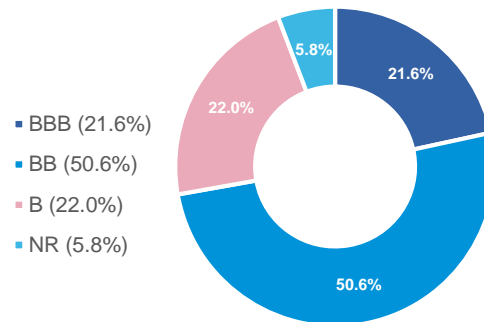
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### Portfolio Metrics

Number of Positions:	39
Number of CLO Managers	21
Expected Average Life To Maturity <sup>(1)</sup> :	7.6 years
Expected Yield to Maturity <sup>(2)</sup> :	7.1%

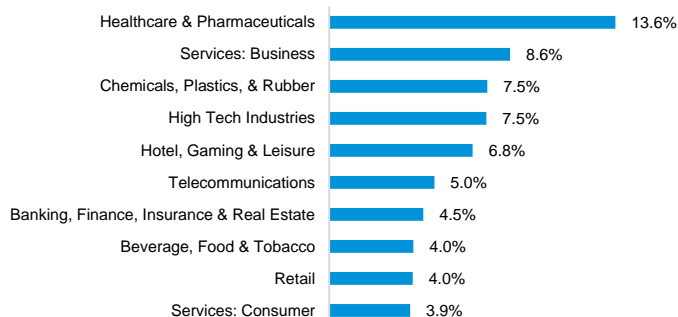
### Rating Category Breakdown <sup>(3)</sup>



### Top 5 Positions <sup>(3)</sup>

Deal Name	Manager	Rating (M/S/F)	Par Amount (EUR)
BABSE 2018-2X D	Barings	Baa2/NR/BBB	3,000,000
CGMSE 2019-1X D	Carlyle	Ba3/NR/BB-	3,000,000
DRYD 2017-51X D	PGIM	Baa2/BBB/NR	3,000,000
AQUE 2019-3X E	HPS	Ba3/NR/BB-	3,050,000
DRYD 2019-69X F	PGIM	B2/B-/NR	3,000,000

### Look-Through Industry Breakdown (Top 10) <sup>(4)</sup>



### Look-Through Issuers (Top 10) <sup>(4)</sup>



#### Notes:

- (1) Weighted expected average life to maturity of investments
- (2) Weighted expected average yield to maturity of investments, excluding fees and expenses
- (3) Based on current valuation of the assets
- (4) Source: Moody's Analytics, based on nominal amounts, excluding deals which have not published their first trustee report.

### Contact Details

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